

C A L I F O R N I A

Dairy Review

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California Department of Food and Agriculture
A.G. Kawamura, Secretary

USDA UNVEILS PLAN FOR NATIONAL IDENTIFICATION SYSTEM, WANTS INPUT FROM INDUSTRY

Agriculture Secretary Mike Johanns unveiled a thinking paper and timeline on the National Animal Identification System (NAIS) and called on agriculture producers, leaders, and industry partners to provide feedback. Both documents are available on the U.S. Department of Agriculture's NAIS Web site at <http://www.usda.gov/nais> and will be published in the Federal Register.

"The documents released offer a draft plan to move the public discussion forward on this important initiative," said Johanns. "We created these documents with guidance from the NAIS advisory committee and with a great deal of input from producers. We're proposing answers to some of the key questions about how we envision this system moving forward. Now, I'm eager to hear from farmers and ranchers so we can develop a final plan."

A comprehensive description of system standards will be determined over time through field trials, user experience and the federal rulemaking process. These documents lay out in more detail projected timelines and potential avenues to achieve system milestones. For example, these documents propose requiring stakeholders to identify premises and animals according to NAIS standards by January 2008. Requiring full recording of defined animal movements is proposed by January 2009.

The Federal Register notice acknowledges the outstanding concerns of some stakeholders and frames questions for which USDA will be seeking answers as it moves forward with the NAIS. These questions pertain to funding for the system, confidentiality of data in the system and flexibility of the system, among other things.

Consideration will be given to comments received on or before June 6, 2005. Send an original and three copies of postal or commercial delivery comments to Docket No. 050-15-1, Regulatory Analysis and Development, PPD, APHIS, Station 3C71, 4700 River Road, Unit 118, Riverdale, MD 20737-1238. If you wish to submit a comment using the Internet, an easy link to the NAIS docket and comment form will be available on the NAIS home page at <http://www.usda.gov/nais>.

(Continued on page 4)

PRODUCTION, PRICES, QUOTA TRANSFERS, ALFALFA

April Milk Production

Milk production in California for April 2005 totaled 3.18 billion pounds, up 3.6 percent from April 2004. USDA's estimate for U.S. milk production for April 2005 in the 23 major dairy states is 13.6 billion pounds, up 3.2 percent from April 2004. Production per cow in the 23 major states averaged 1,679 pounds for April, 43 pounds more than April 2004. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	April	May	June
1	\$15.88	\$16.51	\$14.89
2	\$13.25	\$13.25	N/A
3	\$13.08	\$13.08	N/A
4a	\$12.11	N/A	N/A
4b	\$14.34	N/A	N/A

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	April	May	June
Phoenix, Arizona	\$16.48	\$17.15	N/A
Southern California	\$16.02	\$16.65	\$15.03
Portland, Oregon	\$16.03	\$16.70	N/A
Northern California	\$15.74	\$16.38	\$14.75
Boston (Northeast)	\$17.38	\$18.05	N/A

Quota Transfer Summary

For April 2005, eight dairy producers transferred 17,213 pounds of SNF quota. April quota sales averaged \$475 per pound of SNF (without cows), average ratio of 2.44. For May 2005, seven dairy producers transferred 4,782 pounds of SNF quota. May quota sales averaged \$488 per pound of SNF (without cows), average ratio of 2.44. ☀

Alfalfa Update: May

Northern California: Supreme and Premium alfalfa was steady in a light test, with good demand and light supplies. Fair and Good alfalfa was steady in a light test with moderate demand and supplies. Retail and Stable hay was steady with moderate supplies. Hay production was interrupted during the month with rain, many are ready to start second cutting.

Southern California: Premium and Supreme alfalfa was steady with good demand and moderate supplies. Fair and Good alfalfa was steady in a light test with moderate supplies. Retail and stable hay was steady with good demand, but supplies are light. Weather has been unseasonably mild and hot weather is predicted for early next month. ☀

Supreme Hay Prices

Statewide average prices per ton

Area	4/29	5/6	5/13	5/20
Petaluma	\$187-188	N/A	N/A	\$185
North Valley ¹	\$185-195	\$185-198	\$178-203	\$177-203
South Valley ²	\$175-210	\$195-210	\$198-208	\$195-215
Chino Valley	\$190-193	\$188-190	\$183-189	\$185-195

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

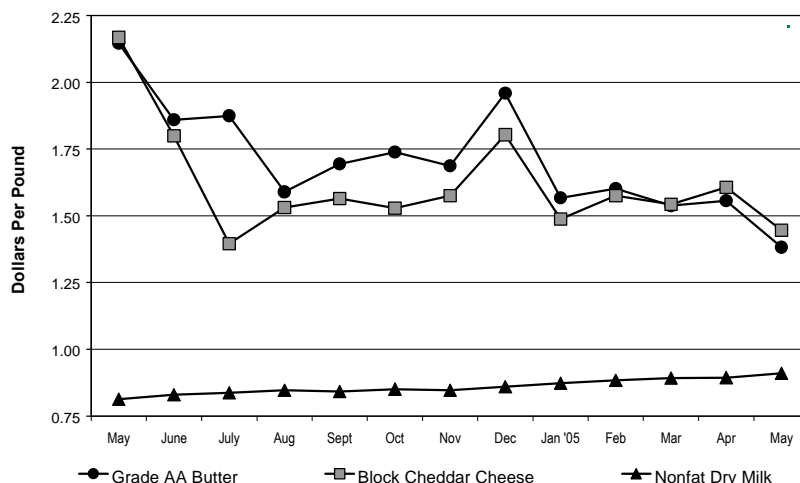
	April	May
Tons Sold ¹	83,105	175,387
Tons Delivered ²	36,606	113,251

¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Class 1 Milk Prices



USDA Suggesting Changes For Downer Cow Rules

WASHINGTON - The Bush administration may allow some injured cattle to be slaughtered for human food, easing a regulation that the Agriculture Department adopted 15 months ago after the nation's first case of mad cow disease.

The USDA prohibited all so-called downer cattle — those too sick or injured to walk — from being slaughtered for human food soon after a Washington state dairy cow was diagnosed with bovine spongiform encephalopathy (BSE) in December 2003. The ban was part of a package of tighter USDA regulations to prevent mad cow disease, whose symptoms can include an inability to walk.

Agriculture Secretary Mike Johanns suggested that the ban on downer cattle may be eased after the USDA completes an enhanced surveillance program of U.S. cattle later this year. "There is a compelling argument: If you've got an animal that's clearly under 30 months that broke a leg in transit, there is no threat of BSE whatsoever," Johanns told reporters after addressing the National Cattlemen's Beef Association. "Why are we doing this? I'm going to thoughtfully consider those arguments," he added.

Scientists believe that mad cow disease is spread through contaminated livestock feed. Young animals are considered to pose the least risk of disease because BSE takes several years to incubate. The ban on downer cattle being slaughtered for human food represents a sizable financial loss to cattle ranchers. For example, a 1,110-pound steer is worth around \$1,000 if slaughtered for steaks and ground beef, but brings less than \$200 if condemned as a downer and used for pet food. About 195,000 cattle are downers out of more than 30 million slaughtered annually, according to industry estimates.

USDA officials previously said the Department would review all of its anti-mad cow regulations after it completes an expanded testing program sometime in 2005. No other cases of BSE have been found in the U.S. cattle herd, despite expanded testing since June 2004. As of April 10, 2005, the USDA tested 314,394 animals in its expanded surveillance program. That will be completed in the next few months, opening the door for USDA to propose changes based on its findings.

The package of mad cow prevention measures adopted by the USDA 15 months ago included a ban on using brains and small intestines from older cattle for human food and a ban on stunning cattle with a

powerful air injection to the skull. The Food and Drug Administration is still considering whether to ban the use of cattle blood as a protein supplement for calves and the use of chicken litter as cattle feed. ☀

Producer Income Up 29 Percent

Record-high milk prices led to a 29-percent increase in dairy-producer income last year. According to the USDA's recent "Milk Production, Disposition and Income" summary, cash receipts from milk marketed during 2004 totaled \$27.4 billion. On average, producers received \$16.13 per hundredweight last year — \$3.58 more than in 2003. ☀

MILC Payments in June

The federal order Class I price for June is \$13.62. Consequently, for the first time since April 2004, there will be a MILC payment for June — \$0.0315 per hundredweight of milk. (\$13.69 Boston price - \$13.62 x 45 %) . ☀

Future MILC Faces Tough Odds

House and Senate budget committees have agreed to cut the agriculture budget by \$3 billion over the next five years. On top of that, extension of the Milk Income Loss Contract program would be considered "new" spending, so one of two things must happen:

- MILC is funded at the expense of some other farm program.
- A sizeable majority in Congress agrees to waive budgetary-spending restraints in order to make room for MILC.

The bar that MILC must clear for passage "has been raised significantly higher," says National Milk Producers Federation spokesman Chris Galen. ☀

Air Officials Revise Dairy Emissions Estimate

Air quality authorities have sharply reduced their estimate of the total amount of smog-forming gaseous emissions from dairies, from 38.25 tons per day to the new estimate of 23.5 tons per day. Officials revised their estimate to reflect the fact that not all dairy animals are adult cows. Livestock Waste (dairy cattle) now rank 6th in the San Joaquin Valley emissions source category for 2004. Three recent studies point to a further reduction in dairy emission estimates and should be released in the near future. See the full report at www.arb.ca.gov/regact/lcaf05/isor.pdf ☀


CWT Shifts Focus from Cows to Cheese and Butter Export Assistance Program

Self-Help Program Targets More Than \$10 Million For Dairy Exports

Now that the last bidder in Cooperatives Working Together's dairy herd retirement program has been paid for selling his cows, CWT's primary focus is now the overseas export market for American-made dairy products.

With two months remaining in CWT's second year of operations, more than \$10 million is available to help assist in the export of cheese and butter products. CWT accepts bids from member organizations to export cheese and butter, and awards export bonuses based on the lowest bid prices. The bonuses bridge the gap between the domestic U.S. price and the world price, which is generally lower. CWT operates the export assistance program in an effort to maintain cheese prices above \$1.40 per pound, and \$1.30 per pound for butter. With the current U.S. price for block cheese at \$1.45 per pound, and the world price only about five cents below that, CWT is hopeful that more cheese can be exported this spring.

"Our initial goal 10 months ago was to export 20 million pounds of cheese and seven million pounds of butter," said Walt Wosje, Chief Operating Officer of CWT. "So far, we've exported about five million pounds of cheese, and no butter. So we're hoping that our members can take advantage of the opportunity to export some product while the gap between domestic and world prices is pretty slight, especially since we have plentiful financial resources to apply to the program," Wosje said.

In its first year of operation, which ended June 30th, 2004, CWT helped export more than 3 million pounds of cheese. In CWT's second fiscal year, approximately 4½ million pounds have been exported, all of it in the second half of 2004. World butter prices are considerably lower than the current U.S. price of \$1.43½ per pound. The U.S. wholesale butter price has not dropped below the CWT target since the export assistance program started at the end of 2003. Farm-level milk prices have been consistently above-average since CWT's operations began two summers ago, and government expenditures on dairy safety net programs have been minimal. 

USDA Unveils Plan - Continued from Page 1


will have the opportunity to submit additional comments on any proposed regulations.

Administered by USDA's Animal and Plant Health Inspection Service, the NAIS is a cooperative state-federal-industry program being created to track animal movements from birth to death for the purpose of disease tracking. It will be established over time through the integration of three key components: premises identification, animal identification and animal tracking.


State and federal animal health officials will be able to manage disease surveillance and control programs more effectively and efficiently as animal identification and location records are collected through NAIS. They will also be able to implement electronic intra- and interstate animal movement permitting rapid respond to potential disease outbreaks.

Eventually, the NAIS will allow animal health officials to identify all animals and premises that have had contact with a foreign or domestic animal disease of concern within 48 hours of an initial presumptive-positive diagnosis. As an information system that provides for rapid tracing of infected and exposed animals during an outbreak situation, the NAIS will help limit the scope of such outbreaks and ensure that they are contained as quickly as possible.

The NAIS is designed to encompass the tracking of all animal species that could directly or indirectly impact the animal health status of our nation's food animal system. Currently, species working groups have been established for beef and dairy cattle, bison, camelids, cervids, equine, goats, poultry, sheep and swine.

APHIS received approximately \$33 million for NAIS implementation in fiscal year 2005 through the Consolidated Appropriations Act. USDA also transferred \$18.8 million from its Commodity Credit Corporation to APHIS in FY 2004 to support the program. 


Idaho Cheese Plants Expanding

Glanbia Foods Inc. has announced plans to expand two cheese plants in Idaho. Its plant in Gooding, which produces processed cheese sold in barrels, will undergo a \$13 million expansion. And the plant in Twin Falls, which produces block cheese sold in supermarkets, is already in the process of a \$280,000 expansion. Work is slated to start on the Gooding plant later this month, with a completion date of May 2006. 

USDA Proposes a Limitation on Producer-Handler Exemption

On April 13, the U.S. Department of Agriculture (USDA) published a recommended decision to establish a limitation to the producer-handler exemption in the Pacific Northwest and Arizona-Las Vegas Milk Marketing Orders. The decision comes just weeks after IDFA, National Milk Producers Federation (NMPF) and the chairs of both the House and Senate Agriculture Committees all urged USDA to render a decision on the issue, since it has been a year since USDA closed the hearing process on the matter.

At issue is a federal exemption given to dairy farmers who process milk from their own farms and market the products themselves; unlike other farmers and processors within a federal order area, these producer-handlers have been largely exempt from Federal Milk Marketing Order pricing and pooling requirements. However, there has been significant growth of sizable producer-handler operations in recent years, resulting in millions of pounds of unregulated milk and putting regulated producers and processors at a competitive disadvantage.

There is now a 60-day public comment period on USDA's recommended decision. After USDA reviews submitted comments and releases a final decision, the issue must be approved in a producer referendum in each of the two affected milk marketing order areas. If producers vote to approve the decision, USDA can implement the ruling. To read USDA's announcement on the producer-handler limitation, go to http://www.ams.usda.gov/dairy/pnw_alv/alv_text.htm. 

Conservation Tillage Field Day

Thursday, June 16 • 8AM-4PM

The field day will showcase dairy producers that have made conservation tillage part of their operations, reducing diesel fuel use while maintaining yields. Sponsors include U.C. Davis, the NRCS, the Conservation Tillage Workgroup, Sustainable Conservation, and USDA.

For more information, contact Jeff Mitchell at 559-303-9689 or mitchell@uckac.edu

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2004, USDA estimates that overall milk production across the U.S. was up 2.9% in April, led by Idaho's 11.9% growth in milk production (on 30,000 more cows and 80 more pounds per cow). California's estimated production was up 3.7% (on 35,000 more cows and 30 more pounds per cow). Among the western states, Arizona was up 3.7%; New Mexico up 1.6%; and Washington up 3.3%. None of the top 10 states reported a production decrease.


Quarterly: For the first quarter of 2005 compared to the fourth quarter of 2004, U.S. milk cow numbers were down 0.3% at 8.995 million, production per cow was up 3.3%; the net effect was a 2.9% increase in milk production to 43.2 billion pounds. USDA projects that for the second quarter of 2005 compared to the first quarter of 2005, U.S. milk cow numbers will increase 5,000 cows to 9.000 million cows, production per cow will be up 3.5%; the net effect would be a 3.7% increase in milk production to 44.8 billion pounds.

Milk Prices

Comparing the first quarter of 2005 to the fourth quarter of 2004, U.S. average milk prices were down \$0.30/cwt. to \$15/68/cwt. USDA projects that for the second quarter of 2005, U.S. average milk prices will be down \$0.50-\$1.20/cwt. compared to the first quarter; including a \$0.45-\$0.75 decrease/cwt. Class 4b price change and a \$0.10-\$0.50 decrease/cwt. Class 4a price change.

Utility Cow Prices

Comparing the fourth quarter of 2004 to the first quarter of 2005, average U.S. utility cow prices were up \$3.50/cwt. to a national average of \$54.18/cwt. USDA projects that utility cow prices will average \$57-59 in the second quarter of 2005.

Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook." 

HANDLERS INELIGIBLE FOR FAILURE TO MAINTAIN A VALID LICENSE OR BOND; TO PAY PRODUCERS FOR BULK MILK PURCHASED AND RECEIVED; OR FAILURE TO PAY THEIR POOL SETTLEMENT OBLIGATIONS

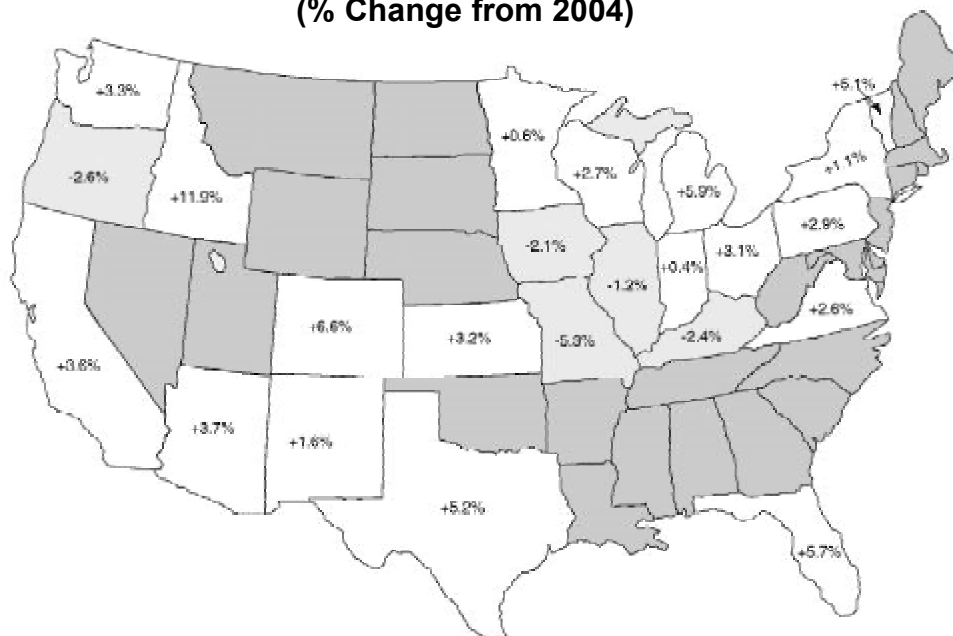
FIRM	STREET ADDRESS	CITY, ST. & ZIP CODE	HANDLER NO.
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HANDLERS THAT ARE NOT BONDED AND EITHER USE THEIR OWN PRODUCTION OR BUY MILK FROM OTHER HANDLERS. THESE PROCESSORS ARE LICENSED, BUT ARE NOT REQUIRED TO OBTAIN A MILK HANDLER'S BOND SINCE THEY ARE NOT MAKING BULK MILK PURCHASES DIRECTLY FROM PRODUCERS OR COOPERATIVE ASSOCIATIONS OF PRODUCERS

FIRM	STREET ADDRESS	CITY, ST. & ZIP CODE	HANDLER NO.
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April Milk Production in the Top 23 States

(% Change from 2004)



For the U.S. overall, comparing April 2005 to April 2004 (not adjusting for leap year):

- Milk production during April was up 2.9%
- The number of cows on farms was 9.026 million head, up 27,000 head
- Production per cow averaged 1,655 pounds, 42 pounds more than April 2004
- Eighteen of the top twenty-three milk producing states showed an increase in milk production

As reported by USDA
and CDFA (for California)

Milk Production Cost Comparison Summary for California ^{1/}

By Month, January 2004-December 2005

Month	North Coast		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
<i>Dollars per Hundredweight</i>										
January	15.45	15.33	13.82	13.37	12.19	13.14	12.82	13.82	12.98	13.36
February	15.81	15.55	13.61	13.72	12.47	13.50	12.96	13.93	13.06	13.69
March	14.37		13.16		12.24		13.08		12.77	
April	13.77		13.27		12.50		13.07		12.91	
May	13.44		13.23		12.76		13.35		13.04	
June	13.70		13.45		13.09		13.63		13.32	
July	13.66		13.03		12.83		13.41		13.01	
August	14.16		13.00		12.82		13.48		13.03	
September	14.33		13.44		13.11		13.56		13.34	
October	14.22		13.43		13.08		13.38		13.29	
November	15.25		13.91		13.43		14.17		13.77	
December	15.17		13.71		13.26		13.96		13.59	

^{1/} Cost Comparison Summary data includes an allowance for management and a return on investment.



Hundredweight Pool Prices

Month	Quota	Overbase
October	\$14.45	\$12.75
November	\$13.56	\$11.86
December	\$13.09	\$11.39
January '04	\$12.71	\$11.01
February	\$13.32	\$11.62
March	\$15.44	\$13.74
April	\$18.23	\$16.53
May	\$18.69	\$16.99
June	\$17.46	\$15.76
July	\$15.03	\$13.33
August	\$14.74	\$13.04
September	\$15.21	\$13.51
October	\$14.81	\$13.11
November	\$15.74	\$14.04
December	\$15.74	\$14.04
January '05	\$15.50	\$13.80
February	\$14.96	\$13.26
March	\$14.98	\$13.28
April	\$15.06	\$13.36

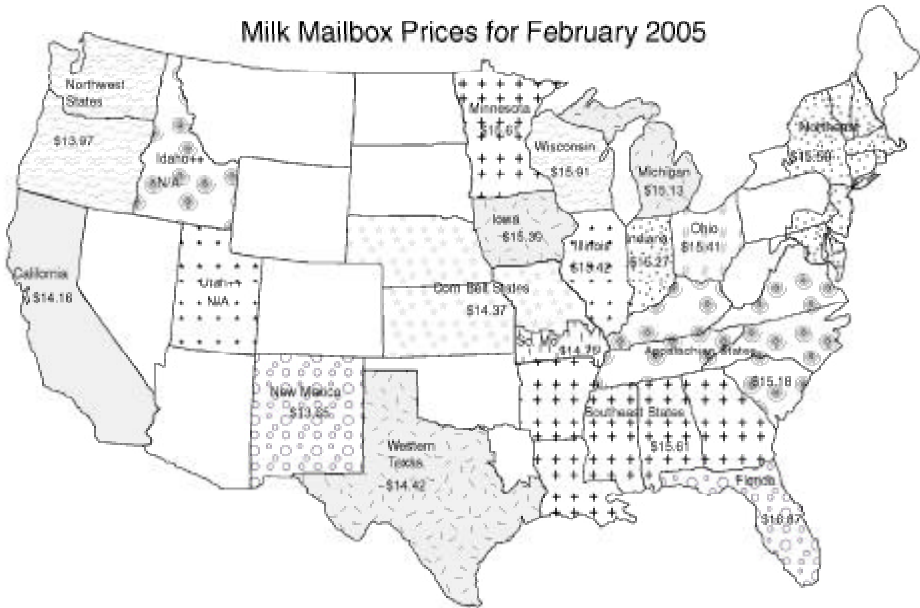
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

**	August	September*	October	November	December*	January	February
California*	\$13.73*	\$14.37*	\$14.12*	\$15.23*	\$15.18*	\$14.85*	\$14.16
USDA*	\$14.75*	\$15.37*	\$15.58*	\$16.12*	\$16.38*	\$15.89*	\$15.24*

* California mailbox price calculated by CDFA.

** All federal milk market order weighted average, as calculated by USDA.



In February 2005, mailbox prices for selected reporting areas in Federal milk orders averaged \$15.24 per cwt., \$0.05 less than the figure for the previous month. The component tests of producer milk in February 2005 were: butterfat, 3.70%; protein, 3.06%; and other solids 5.70%. On an individual reporting area basis, mailbox prices decreased in all reporting areas, and ranged from \$16.87 in Florida to \$13.65 in New Mexico. In February 2004, the Federal milk order all area average mailbox price was \$13.61, \$1.63 lower.

**Mailbox prices for Idaho and Utah are being discontinued due to the termination of the Western Federal Order.

In accordance with the California Government Code and ADA requirements, this publication can be made available in an alternative format by contacting Karen Dapper at (916) 341-5988, by email at dairy@cdfa.ca.gov, or contacting TDD 1-800-735-0193.

Dairy Marketing Branch:
 Phone (916) 341-5988; Fax (916) 341-6699
 Website: www.cdfa.ca.gov/dairy
 Email: dairy@cdfa.ca.gov

Milk Pricing Information:
 Within California 1-800-503-3490
 Outside California 1-916-442-MILK

The California Department of Food and Agriculture Dairy Marketing Branch publishes the California Dairy Review monthly. Please direct any comments or subscription requests to Karen Dapper at (916) 341-5988 or send an email to dairy@cdfa.ca.gov

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